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SOURCE Kung-ch'an-tang Tsen-yang Tui-fu Kung-shang Chieh (CCP Attitude Toward Industry and Commerce).

CCP INDUSTRIAL AND COMMERCIAL POLICY

A. Private Enterprises Under CCP Rule

Businessmen everywhere are asking the question, "To what extent will private enterprise be permitted to expand under the CCP government?"

The answer that comes out of a study of CCP pronouncements on this matter seems to indicate that private industry and commerce will be permitted to carry on as usual, but that enterprises in which RMP government leaders have interests will be confiscated.

The argument is made that when the CCP speaks of bureaucratic capital, it means large enterprises. This question is a somewhat complicated one. During the last 10 years, Chinese businessmen have come to believe that enterprises not operated, fostered, or financially aided by the government have little hope for expansion. An examination of present-day Chinese industries of considerable importance reveals that either they are operated wholly or in part, directly or indirectly, by bureaucratic capital, or they are subsidiaries of such enterprises.

Since it is generally understood that enterprises belonging to the KMT government or the four great families will be confiscated, what of the shares of strictly private investors in these enterprises? So far, the CCP seems to have given no clear categorical answer, but an inkling of the probable procedure is furnished by reports from Tien-ching which indicate that the shares of private stockholders of confiscated enterprises are being recognized as rightfully belonging to them still.

Since in most CCP printed pronouncements, "bureaucratic capital" seems always to indicate "large capital," a Shang-hai businessman raised the question, "If small capitalists are to be allowed to operate freely, they may develop into large capitalists. In this case, at what point in their growth will they be considered to have become "large capitalists" and, thus, liable to be suppressed, and what form of repression will take place?" On this point a CCP

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spokesman offers the explanation that, "although bureaucratic capital is generally large, large capital does not necessarily mean bureaucratic capital. However, under the KMT bureaucratic rule, only those entrepreneurs supported by the bureaucrats were able to expand and develop. Thus, large capital is regarded as bureaucratic capital."

A resolution adopted in May 1948 by the North China Liberated Area Industrial Conference may throw further light on the vexing question. The resolution states, "Aside from munitions industries and other industries which, in private hands, might threaten the independence of the people's economy, all enterprises should be thrown open to private operation, or joint government and private operation. State-operated enterprises should concentrate on heavy industry, such as manufacture of military weapons, machinery, industrial materials, etc. In the field of light industry the government should limit itself to industries urgently required for public need which are beyond the ability of private capital to operate. On this basis there is still a large field for private entrepreneurs to operate in."

Since the industries in present-day China that will probably come under government control comprise about three fourths of the country's industrial capital, it is not likely that private industry will become an economic threat to the country.

B. Is China to Become a Socialist State?

The Chinese people's democracy has often been referred to as beginning of a socialist state. Businessmen naturally are asking how long it will take to complete this development.

In a speech made on 25 December 1947 to the CCP Central Committee, Mao Tse-tung said that, under present economic conditions in China, legitimate private enterprises would be needed for a long time and should be aided since they constitute an indispensable element in the national economy.

Observers are inclined to believe that the "long time" referred to above will be not less than 30 years.

Another question often raised by the people pertains to the interpretation of the frequently used CCP expression, "legal profit." Up to the present no limit has been set on profits in the liberated areas, but it is impossible to know how long this will continue.

C. Trade Under CCP Rule

As to whether trade under the CCP will be free or controlled, observation of the program in the liberated areas so far leads to the generalization that internal trade will be free, but foreign trade will be controlled. It is averred that under present political and economic conditions, uncontrolled foreign trade would not be to China's advantage. The import of nonessentials and articles injurious to China's economy should be prohibited, while exports that will produce needed foreign exchange should be encouraged.

D. Small and Middle-Class Capitalists Under CCP Rule

"While the monopoly of the KMT officialdom and the four great families is to be ruthlessly suppressed, their ill-gotten wealth confiscated, and the feudalistic practices of the landlords eliminated, the small and middle-class capitalists are to be protected. For they are not bureaucrats; they are the real democratic capitalists. Among them, it is true, there are a few rightists who have supported KMT and American imperialism. Their trend in this direction should be checked and they should be reoriented, but this does not mean that their economy must be destroyed. We must be rid of feudalism and monopolistic capitalism, but we will be making a mistake if we try to destroy the small and middle-class producers" (Mao Tse-tung, 25 December 1947).

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In a discussion on the protection of small-scale industry, Mao Tse-tung acknowledged that in the years 1931-1934, the Party made a grave mistake in advocating excessive demands, such as total confiscation of all lands held by the rich, etc., under a near-sighted policy of seeking immediate benefits for the workers alone. A repetition of this mistake could only have a deleterious effect on the laborers and the whole democratic society.

E. Private and Public Enterprises

Resolutions adopted by the North China Conference of Industry and Commerce to coordinate the activities of private enterprises read as follows:

1. Except for munitions industries, industries affecting the citizens' economy and having a monopolistic nature, and industries that private capital are not permitted to operate, all other industrial and commercial enterprises may be undertaken by private entrepreneurs or by joint state and private operation. The government will concentrate on operating heavy, munitions, and machinery industries, as well as industries manufacturing important industrial materials and parts. Except for those light industries which must be operated by the government for the benefit of the people, all others shall be left to private entrepreneurs.

2. The function of government-operated commercial enterprises must be to serve war needs and to aid the people in their production effort. The main duties of government-operated commercial enterprises are to control and stabilize prices of goods important to the people's livelihood, market the products of industry, agriculture and by-products industries, and provide the people with the daily necessities of life. In the matter of prices, government-operated commercial enterprises must help private enterprises to aid in the stabilization of prices, and must prevent hoarding and other illegal practices to control the market.

3. Powers granted by the government to government-operated enterprises, such as operation of arsenals, procurement of military equipment, issuance of currency (by government banks), control of the money market, and gold, silver, currency, and foreign exchange, etc., are designed to facilitate the stabilization of markets and the procurement of essential raw materials for the benefit of the people, and are not deleterious to private business. Except for those powers stipulated by law, government enterprises are forbidden from exercising any other arbitrary powers.

4. State enterprises must actively assist private enterprises that are beneficial to the people's economy. Government banks must aid private industry and commerce by granting them loans and helping them secure needed foreign raw materials and tools. Government enterprises must set up distributing offices in all important cities and towns to distribute materials and supplies to private enterprises. Government transportation fees must be favorable to agriculture, commerce, and industry.

F. Capital and Labor

The present people's movement [in China] is called a "New Democracy," not Communism. Consequently, the overthrow of the capitalists is not advocated, but rather cooperation between labor and capital is sought.

The North China Conference of Industry and Commerce passed the following resolutions on relations between capital and labor, employer and employee, and master and apprentice.

1. Preserve the right of capital and labor, employer and employee, apprentice and master to freely bargain and contract. Abolish the inequalities heretofore

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imposed on laborers, shop employees and apprentices in contracts, and incorporate the principle of equality and mutual benefit. Both sides should have the right to propose revision of contracts on their expiration. Abusive practices, such as cancelling or compelling employment, etc., must be abolished.

2. The basic system of wages and the old system of bonus benefits to employees must be preserved. Excessive restrictions of the past on labor must be revised. At the same time, the practice carried on in some places of demanding excessively high wages, bonuses and labor requirements must be revised.

3. The old system of working hours should be preserved, but continuous working time in excess of 12 hours must be reduced. In some places too many holidays and labor meetings have greatly interfered with production, and these practices must be corrected. Labor union agents should confer with employees and apprentices about attending labor union meetings and classes outside working hours.

4. There is need for maintaining the old apprentice system, but improvements must be made. Corporal punishment for apprentices should be abolished and the period of apprenticeship for those showing exceptional ability shortened. The custom of requiring that the apprentice in the handicraft industries pledge to serve his master must be preserved, but the period of service must be shortened.

5. In the larger private industries, managers must be called upon to take the lead in establishing factory affairs committees made up of laborers, staffs, and technicians. This will permit the employees to participate in discussions on production plans, treatment of workers, workers' livelihood problems, etc. The final decisions on production plans, however, shall be the prerogative of the managers. Workers and shop employees must observe the regulations promulgated by employers and must respect the leadership of the managers.

G. Wage Scale and Working Hours

A discussion on the present wage system in government-operated enterprises was conducted by the conference, and it was unanimously concluded that there were many defects. The most important was the mistaken wage concept of an average wage plus relief, based not on the idea of compensation according to skill and efficiency, but on the idea of support for the worker's family.

Apprentices and inexperienced workers are paid too much in proportion to skilled workers, resulting in little differentiation in the wage scale. The highest paid skilled workers are only paid three to four times as much as the lowest paid unskilled laborers. The conference resolved that this system was detrimental to increase production and must be revised. It was agreed that the wage scale should be based on skill, production efficiency, and degree of experience.

A resolution was adopted by the conference to the effect that for the time being in government-operated industries in newly liberated cities, the low wages and classifications of the workers should be preserved and that wages should be based on the cost-of-living index with cost-of-living bonuses where necessary. Eventually the wage-scale classifications may be equitably adjusted and coordinated with the new system of payment in goods. Government-operated industries in the old liberated areas should gradually adopt the same policy. The conference established a wartime temporary wage scale for government-operated industries in the old liberated areas and also resolved that the salary system for all staff members be introduced in these industries. It proposed that a 10 hour day be adopted and that a cultural and educational fund for workers amounting to 1.5 percent of the payroll and a workers' insurance fund amounting to 2.5 percent of the payroll be set aside by the management.

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The question of hours and wages looms large in the matter of manufacturing costs. The trend in liberated territory seems to be toward a norm of a 10-hour day in light industry and a 9-hour day in heavy industry, with children and women excluded from the ranks of heavy-industry workers.

A great many factors enter into the determination of the wage scale, such as skills, whether the work is heavy or light, the amount of responsibility carried, amount of production, length of service, local conditions, willingness of the laborers, etc. In Central China the wage scale for trainees is set at cost of living for the individual worker plus 20 catties of rice per month, while skilled workers are paid a cost-of-living allowance plus an amount equal to the cost of living for 1½ persons.

H. Industrial Investment Under CCP Rule

Business tax rates imposed by the CCP are lower than those of the KMT, and instead of a great variety of taxes the CCP reduced the number to one or two basic taxes.

Outside capital is welcomed in a variety of industries, such as cotton and woolen weaving, flat glass, electricity, steel and iron, machinery, farming implements, vegetable oils, alcohol, cement, and dyes. Business and income taxes on such investments may be waived for from 2 to 5 years. Foreigners wishing to do business in liberated areas will be assisted by the authorities in securing sites, labor, materials, markets, and foreign exchange. However, foreign investors should not expect to secure special privileges of controlling natural resources.

Enterprises will have every opportunity to expand in the liberated areas, either on their own or in joint operations with state operated enterprises. They will, when properly carried on, receive favorable treatment and encouragement from the authorities.

The economy and the governmental policies of the liberated areas are new and progressive. All enterprises may look forward to a progressive future and to participation in the modernization of China's economy.

I. Ch'en Po-ta on Factory Management

In the 5 February [1949] issue of the Pei-p'ing People's Daily, Ch'en Po-ta set forth the following eight principles of factory management for the guidance of those taking over large KMT government enterprises in newly liberated territory.

1. Attempts must not be made to change the technical organization and production system already in use.

2. Workmen should be encouraged to protect [plant equipment], and all original staff officers, engineers, technicians, treasurers and foremen must be held responsible for preserving the funds, documents, maps and charts of the factories.

Except for malcontents and diehards, the original staff should be urged to continue performing their duties as before, and salaries and wages of the past should be preserved. Where responsible staff members have fled the area because of the war, their deputies may be asked to take their places or other staff members may be appointed to their positions. Except in cases of necessity no shifts should be made in the staff or labor force.

3. The People's Liberation Army or civil authorities should appoint military or political representatives to actually supervise the management and control of these industries. When necessary, a supervisory board may be appointed for very large enterprises. In addition to general supervisory representatives, supervisors should be appointed for each department and section of the business [or industry] to exercise actual supervision.

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In these groups, however, the number of personnel should be held to a minimum in order to keep down expenses.

The responsibilities of these supervisors shall be: (a) to insure continued production, (b) to prevent sabotage and idling, (c) to learn the principles and techniques of the business, (d) to prevent theft, avarice and waste, (e) to train the staff and workers in democratic principles, and (f) to aid the workers in organizing unions and consumers' cooperatives and to select suitable cadres.

4. Eliminate blood-sucking bureaucrats, nonproducers, and technicians who draw pay without rendering service.

5. When those in positions of responsibility in the enterprise fail to prove their ability even though they appear to be conscientious, they should be counseled. Those guilty of malfeasance should be punished in accordance with the law.

Supervisors concerned with the problems of forming business policies, organization, and production, and desiring to institute changes or new plans, must study the matter thoroughly. They must first confer with individuals to be affected and, in cases of necessity, must consult the whole body of workers before taking action. They must then secure the approval of their superiors before putting their plans into effect.

6. It would be difficult during the war period to effect a uniform change in the wage system for the whole country, but it is apparent that the system used in the old liberated areas is not suited to large industries in the cities. Consequently, in taking over official enterprises it would be unwise to try to change wage and labor systems and standards to suit one's own ideas without carefully analyzing all factors involved. The conditions of commodity markets and their relationship to the CCP currency should be studied. The aim should be to maintain real wages of the staff and workers at a level no lower than that of a given time, say 3 months before the liberation. Staff members and workers who show themselves to be frugal and careful of public property must be rewarded. Idlers, wasters, and thieves should be punished.

7. Long-standing policies on workers' benefits, such as insurance, retirement, old-age pensions, vacations with pay, annual bonuses, etc., should be maintained in force for the present.

8. The worker's actual results in his work should be the standard of judgment regarding his efficiency.

In September 1948 the Executive Committee of the All-China Federation of Labor Unions passed the following resolutions on wage and hour treatment of workers.

"Twelve hours shall be the maximum working day, and no one shall be asked to work longer. Time for getting to and from work, eating, and resting must not be counted as working time.

Regarding wages, the rule that a laborer's wage must not be less than the requirement for the basic support of two persons in a given locality must be adhered to. Basic support should include food, clothing, housing, and essential incidentals. The term "basic support" as applied to the second person may be a little less than for the worker himself, but may not be less than the requirement for minimum subsistence. A factory worker's wage should be somewhat higher than the minimum for a common laborer because the factory worker is required to have a certain amount of experience or training before assignment to a job.

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When asked what type of supervisors should be sent into plants taken over by the CCP, Ch'en Po-ta averred that military or political representatives must be sent first, and only when control has been fully instituted can representatives be assigned to take over the supervision of industries.

On the subject of the number of working days in a year, no policy has been decided upon because of the varying conditions in different places and industries and the difficulty of unification during wartime. However, it is recognized that in liberated areas, holidays, at present, are too numerous and working days too few. It is recommended that there be not less than 300 working days in a year, preferably more. Companies permitting a long leave should determine how much paid leave may be had. They must also cut down on granting too many short leaves. In the newly liberated areas, however, too sudden a change in the holiday system must not be carried out.

On the subject of accelerated production, Ch'en Po-ta stated that the movements for accelerated production cannot be developed into a sustained program without a suitable permanent system of democratic economy.

Proper permanent incentives must be offered the workers to induce sustained effort. There must be a basic standard-of-living wage based on local conditions, to be supplemented by incentives such as piece work, grading, merit, etc. In addition, a suitable system of periodic pay increases, plus bonuses and increasing rewards, must be adopted.

According to the conditions in each industry and factory, the manager should confer with the directors, the auditing committee, representatives of the workers, and the whole body of workers, taking into account the past record and present condition of the industry, to decide upon a method or a combination of methods for granting rewards. There should be a general policy of uniformity among factories in the matter of hours and wages, with some differences permitted to meet the peculiar conditions of the individual shop.

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